

NASA FORM 1018 REPORTING FOR FISCAL YEAR (FY) 2003 FREQUENTLY ASKED QUESTIONS

Following are questions and answers regarding September 30, 2003, NF1018 reporting. Other questions should be directed to the Deputy Chief Financial Officer (DCFO)(Finance) of the cognizant NASA Center (see list below) for your contract or may be forwarded by email to: elaine.m.slaugh@nasa.gov.

1. Q - *Are there any changes in the NASA Form (NF) 1018 reporting instructions?*

A - Yes. Procurement Information Circular (PIC) 03-18 was issued to provide instructions to contractor officers (1) to revise the due date for the NF1018 from October 31, to October 15; and (2) to provide clarifications of the definitions. See <http://www.hq.nasa.gov/office/procurement/regs/pic03-18.html>, for a copy of the PIC. The specific clarifications are as follows:

- a. The definition for software (reported as general purpose equipment) was clarified to capitalize only items with a useful life of 2 years or more and acquisition cost of \$1,000,000. In addition, enhancement costs for existing software should be capitalized if the enhancement results in significant additional capability beyond that which the software was originally intended (a capability that was not included in the original software specifications), the total cost of the enhancement is \$1,000,000 or more, and the expected useful life of the enhanced software is 2 years or more.
- b. The definition of Contract Work In Process (WIP) is clarified to consist of property items under development (i.e. not complete) and includes the costs of all WIP regardless of value for all categories of property, all types of equipment and material as well as WIP for International Space Station and Space Shuttle components. In addition, it notes that the costs of WIP for other assets destined for permanent operation in space such as satellites and space probes and their components should **NOT** be reported.
- c. Guidance for computation of WIP is clarified to incorporate the requirements for unit acquisition cost as outlined in 1845.7101-3(a) through (e) and should be inception to date until such time as the WIP is completed and does not include future costs. In addition, acquisition cost of property furnished by the Government, which has been incorporated in the property item under construction or in process should be included. Lastly, costs for operating or repairing existing completed property items should not be included as WIP.
- d. The guidance for unit acquisition cost is clarified to require that it be developed using actual costs to the greatest extent possible, especially costs directly related to fabrication such as labor and materials. Any estimates used should be developed using a supportable, documented process based on planned activity.
- e. The reporting requirements were clarified to no longer require the reporting or completed items not related to the International Space Station or the Space Shuttle program which are destined for permanent operation in space, such as satellites and space probes.

2. Q - *What are the supplementary reporting requirements for the September 30, 2003 NF 1018?*

A - For the NF 1018 report as of September 30, 2003, contractors shall continue to include the value of assets not in use, i.e., Obsolete items, those in the Plant Clearance Process, and heritage assets in their custody in the ending balances shown on the NF 1018, and report their values in the supplemental schedule "Depreciation and Assets Not in Use Data for NF 1018 Reporting." Heritage assets shall also be individually described in block 21, Comments. The description shall include the title of the item, its value and brief comments on why it is considered a heritage asset. Where heritage assets are reported which were not identified on a previous NF 1018, the cognizant NASA Center Financial Management Office will contact the contractor to discuss the item. If the Center concludes that the item is not a heritage asset, it will instruct the contractor not to identify the item in future NF 1018 reports.

Obsolete property is property for which there are no current plans for use in their intended purpose. Examples of obsolete property are items in configurations which are no longer required or used by NASA or items held for engineering evaluation purposes only. NASA may have approved the retention of these items for programmatic reasons even though they have no current plans to be used.

3. Q – *Are there any changes in the NF1018 format for September 30, 2003 from the previous version?*

A – There are two changes:

(1) Include in Item 16 "Description of Agency-Peculiar Property" the name(s) of program(s) for which agency-peculiar property was furnished or acquired and the names of any assets destined for permanent operations in space currently being fabricated under the contract. (Note: the name of any assets destined for permanent operations in space is for NASA's information only and the value of these assets should NOT be reported).

(2) Contractors should report obsolete property in the "Depreciation Assets Not In Use" supplemental data sheet (page 3 of the NF1018) in the column, less: Obsolete, Heritage Assets & Items in Plant Clearance. Obsolete property is property for which there are no current plans for use in its intended purpose (i.e. it no longer provides service to NASA operations). This could be because the items is damaged, has been replaced by a new configuration, has become obsolete in advance of expectations or has been identified as excess. Examples of obsolete property are items in configurations which are no longer required or used by NASA or items held for engineering evaluation purposes only. NASA may have approved the retention of these items for programmatic reasons even though they have no current plans for use.

4. Q - *Why did NASA move up the due date of the NF1018?*

A – NASA uses the information contained on the NF1018s to update its current contractor-held property values, on its Agency-wide financial statements which

are prepared under guidance promulgated by the Office of Management and Budget (OMB). OMB has accelerated the submission date for agency financial statements to November 15th. Therefore, to comply with this revised date, it is essential that required reports be received no later than October 15.

5. Q – *Why does NASA keep changing its NF1018 reporting requirements?*

A – NASA must account for and report assets in accordance with 31 U.S.C. 3512 and 31 U.S.C. 3515. The Office of Management and Budget, in its requirements for the form and content of Agency financial statements, requires compliance with Statements of Federal Financial Accounting Standard (SFFAS) numbers 3, 6, 10 and 11. In previous years, NASA revised the reporting requirements to allow for the implementation of new Federal Accounting Standards.

In addition, NASA is required to have its financial statements audited in accordance with generally accepted government auditing standards. These standards require that its auditors consider and report on NASA's internal controls over financial reporting. During the FY 2002 financial statement audit, NASA's auditors, reported that NASA lacked adequate controls to reasonably assure that Property, Plant, Equipment and Materials are presented fairly in the financial statements. In FY 2003, NASA revised the NF1018 reporting requirements to strengthen its internal controls over contractor-held property reporting.

6. Q – *Why do some contractors have to submit quarterly property reports and others do not?*

A – On its Report on Internal Controls, NASA's auditors stated that because the NF1018 reports are submitted only once a year a substantial manual effort at year-end is required to prepare NASA's financial statements which has resulted in a number of material adjustments. In addition, NASA's current NF1018 reporting process provides no transparency in the annual activity of the most significant Contractor-Held property, materials and work-in-process and if it is not modified to require more periodic filings, interim reporting (required by OMB) for these balances will not be timely or useful. Based on this, the auditors concluded that until NASA's NF1018 is revised, its contractor-held property financial statement balances are susceptible to potential error and misstatement.

In an effort to reduce the risk of errors and meet interim reporting requirements, NASA required that its contractors with the majority of its property (currently 55 contracts) submit quarterly property reports, listing the details of its real property, items of equipment, materials and work-in-process \$100,000 and over. In addition, NASA had these contractors provide their total amount of materials and work-in-process under \$100,000. NASA uses this information to develop quarterly financial statements, as well as to perform analytical procedures to ensure the adequacy of the data reported. Because the quarterly reports do not include equipment items under \$100,000, these contractors must continue to submit an annual NF1018.

7. Q - Why is the capitalization threshold for software different from other property?

A – Prior to FY2001, NASA's accounting practice was to capitalize software that was either incorporated or integrated into another asset (i.e. part of that asset). Stand-alone software, was not considered an item of property. In FY2001, Statement of Federal Financial Accounting No. 10 "Accounting for Internal Use Software" was implemented which required that NASA treat stand-alone software as an item of depreciable property. At that time, NASA set its stand-alone software capitalization threshold to \$100,000, to be consistent with the threshold for all property, plant and equipment. During FY2003, NASA had a consultant perform a study which recommended, based on information from other agencies and private sector companies, that NASA raise its threshold for stand-alone software to \$1,000,000.

8. Q - *What types of costs should be included in the acquisition value of Stand-alone software (i.e. software reported as an item of property)?*

A – Stand-alone Software acquisition costs include software costs incurred up through acceptance testing and material internal costs incurred to implement the software and otherwise make the software ready to use. Costs incurred after acceptance testing are excluded. License, maintenance, training, and data conversion costs are also excluded. If the software is purchased as part of a package, the costs will need to be segregated in such manner as to ensure that the excluded costs (i.e. maintenance, training, etc...) are not reported as part of the software's acquisition cost. Enhancement costs for existing software should be capitalized if the enhancement results in significant additional capability beyond that which the software was originally intended (a capability that was not included in the original software specification), the total cost of the enhancement is \$1,000,000 or more, and the expected useful life of the enhanced software is 2 years or more. Include the same types of costs as indicated for new software. Costs included solely to repair a design flaw or perform minor upgrades should not be reported (capitalized).

9. Q – *How should contractors report software on the NF 1018?*

A – Contractors should only report software owned by or leased to NASA. Software that is integrated into and necessary to operate a piece of property should be included in the value of the property it is integrated into. Stand-alone software (excluding licenses) should be reported as general purpose equipment (FSC group 70).

10 Q - *Why are contractors required to report Work in process?*

A – For Financial Accounting purposes, an important principle is to match costs in the period that the benefit of the costs is received. Therefore, costs incurred are either expensed immediately (i.e. a service is provided, a study is completed) or held as work-in-process (i.e. a future asset is under fabrication). When the asset is completed and reclassified from work-in-process to either real property, equipment or materials, and put into service (i.e. used) a depreciation cost is incurred and expensed. Therefore, as contractors

acquire, fabricate or otherwise develop an asset, it necessary for them to maintain a corresponding work in process value.

11. Q - How should WIP be calculated and what types of costs should be included in WIP?

A – Work-in-process (WIP) consists of property items under construction (i.e. not complete) regardless of value. While you should include the costs of WIP for International Space Station and Space Shuttle components, exclude the costs of WIP for other assets destined for permanent operation in space such as satellites and space probes and their components. Costs to include are amounts you have incurred whether directly or through subcontracts for: a) materials costs, b) labor or other direct or indirect production costs, c) costs of engineering, architectural, and other outside services for designs, plans, specifications, and survey; d) acquisition and preparation costs, e) overhead costs including an appropriate share of the cost of the equipment and facilities used to construct item; f) fixed or award fees; g) costs of software integrated and necessary to operate the property; h) transportation, handling or storage costs, i) initial installation costs; j) direct costs of inspection, supervision, and administration of contracts; k) legal, recording fees and damage claims; and l) cost of money. In addition, you should include the fair values of materials and equipment furnished by the Government which have been incorporated in the property under construction.

In lieu of identifying a work-in-process value for each item under construction, a methodology for developing the total work-in-process can be used. For example, one method of developing this total work-in-process value at fiscal year-end would be to obtain the costs incurred under your NASA contract as reported on the NASA Form (NF) 533 (as of September 30, 2003) for production of property and related overhead. From the total incurred costs, subtract the values of any completed items and materials not issued to the floor, and add the value of any government furnished property included in the property under construction. Be sure, however, once the property is complete, to include all the costs outlined above, in its acquisition value in the property record. Do not include costs for operating, or repairing existing completed property items. Once the property is complete, reclassify the work-in-process to the appropriate property classification.

12. Q - Why aren't assets destined for permanent operation in space required to be reported on the NF1018?

A – NASA calculates the value for its “assets in space” (i.e. assets destined for permanent operation in space) at NASA HQ. The value for these assets includes all items outlined in 11 above. This includes such items as design, integration, test and launch costs which are provided by many contracts, not just the contractor developing an instrument or spacecraft. As NASA must calculate this value separately, it is not necessary for each contractor developing an instrument or spacecraft to calculate a WIP value for their contribution.

13. Q - What types of costs should be included in the acquisition value of an asset?

A – Costs for a completed asset should include the same cost elements as included in WIP. See the answer to 11 above. In addition, acquisition cost should be developed using actual costs to the greatest extent possible, especially costs directly related to fabrication such as labor and materials. Any estimates used should be developed using a supportable, documented process based on planned activity.

14 Q - *Why does NASA require that such costs as fee and other indirect costs be added?*

A - NASA is required by the Statement of Federal Financial Accounting Standard (SFFAS) #6 to include in the value its items of plant, property and equipment all costs incurred to bring the property to a form and location suitable for its intended use. This includes all costs for acquiring, developing or fabricating an item, including both direct (materials and labor) and indirect (overhead, general and administrative and fee) costs.

15. Q - *Why are obsolete items required to be reported on the supplement data sheet.?*

A – NASA is required by SFFAS #6 to only report on its financial statements “property, plant and equipment used in providing goods and services.” Property for which there are no current plans for use in its intended purpose (i.e. it no longer provides service to NASA operations) is considered obsolete. Therefore, for financial purposes only, NASA requires that contractors report obsolete property in the “Depreciation and Assets Not in Use” Supplemental data sheet page 3 of the NF1018) in the column, less: Obsolete, Heritage Assets & Items in Plant Clearance. Items could be considered “obsolete” because they are damaged, have been replaced by a new configuration, have become obsolete in advance of expectations or have been identified as excess. Examples of obsolete property are items in configurations which are no longer required or used by NASA or items held for engineering evaluation purposes only. NASA may have approved the retention of these items for programmatic reasons even though they have no current plans for use.

16. Q – *Can I submit the NF 1018 electronically?*

A – Yes, you are encouraged to electronically prepare and submit the NF 1018 and supplemental data using the NF1018 Electronic Submission System (NESS) which eliminates the need for hard copy submission of the NF1018. If the NF 1018 is not submitted via NESS, you must mail one original signature paper copy of the NF 1018 and supplemental data directly to the Deputy Chief Financial Officer (Finance) at the NASA Center cognizant of the contract and one copy to the Property Administrator. NESS is password protected. The application for user ID and password may be found at the NESS URL:

<http://ness.gsfc.nasa.gov>

If you submitted a NF 1018 last year, a new NF 1018 with your contract information and beginning balances prefilled is available in NESS. When you

complete the required fields, NESS will calculate your new ending balances. (You must enter ending balances for those property classifications that do not require additions and deletions.)

NESS contains data field edits to assist you in correctly using the report format by giving error messages and returning the cursor to the location of each error. This occurs only when you hit the "Submit" button at the end of the report form. You will be able to submit the report when all errors have been corrected, thus preventing disapprovals resulting from entering data which is not mathematically correct or that does not conform to report field requirements.

17. Q – *How can I get training on NASA contractor property reporting requirements, how to fill out the NF 1018, and NESS?*

A – NASA now has computer-based **Training on Reporting NASA Property in the Custody of Contractors (NF 1018)**. You can electronically request the compact disk (CD) by sending your name, company name, mailing address, phone number, and e-mail address to elaine.m.slaugh@nasa.gov. You can also go to <http://ifmp.nasa.gov/codeb/docs/TrainingAnnouncement3.doc> and download a Training Request Form if you would like to attend classroom training.

18. Q – *Can subcontractors use NESS?*

A – No, subcontractors cannot use NESS. NASA does not have a contractual relationship with subcontractors. Subcontractors are responsible for submitting data to their prime contractor in accordance with their prime's instructions. A pdf file of the NF1018 which can be used to enter the data electronically is available at <http://ifmp.nasa.gov/codeb/docs/nf1018.pdf>. The PDF file only includes pages 1 and 3. Be sure to also complete the Depreciation & Assets Not In Use Data for NF 1018 Reporting. This is available on line at <http://ifmp.nasa.gov/codeb/docs/1018suppdata11.doc>

19. Q – *Why does NASA require separate reporting for some items "Under \$100,000" and "\$100,000 & Over"*

A - In accordance with FAR 45, the records you maintain on our behalf are the agency's official records. Data on all NASA owned property, regardless of value, are required by NASA property managers to fulfill our stewardship responsibilities and provide information to and answer questions posed by internal and external sources, including the Congress. However, NASA's capitalization threshold for accounting purposes is \$100,000 which is why we require a separate breakout of these items.

20. Q - *What if I have a piece of equipment which is in the plant clearance process as of the end of the FY 2003, but isn't actually transferred or disposed of until FY 2004?*

A - You would continue to report the equipment on the September 30, 2003 NF 1018. In the supplemental data, "Depreciation & Assets Not In Use Data for NF 1018 Reporting," you would include the equipment in column c., "Less: Heritage Assets & Items in Plant Clearance" under the appropriate equipment useful life category. When the equipment is actually transferred or disposed of

in FY 2004 you would report it as a deletion (item 9c & item 20) on the September 30, 2004 NF 1018. The equipment would not be reported in the supplemental data for FY 2004.

21. Q - *What do I do if I discover an error on my NF 1018 after it is submitted?*

A - If an error is discovered on the NF 1018 after submission, contact the cognizant Center Industrial Property Officer (IPO) to discuss corrective action. The IPO works with Center Finance personnel to determine appropriate corrective action and provide guidance to contractors. Depending on the dollar amount and when the error was discovered, the IPO will instruct you to either immediately submit a corrected NF 1018 or make the adjustment on next year's report using the "Adjustments" column. A listing of the current cognizant Center IPOs can be found at:
<http://ifmp.nasa.gov/codeb/docs/contacts.doc>.

22. Q - *I discovered an error on my FY 2002 NF1018 and the IPO instructed me not to submit a corrected NF 1018, but to make the correction on the FY 2003 NF 1018. How do I do this?*

A - Use the ending balance from the FY 2002 NF 1018 as the beginning balance for the FY 2003 NF1018, as usual. You will then use the "Adjustments" column to correct the beginning balance of the NF 1018. For example, if you reported a building at \$275,000 on the FY 2002 NF 1018 and subsequently discovered that it should have been reported at \$300,000, you would report \$25,000 in the "Adjustments" column for Buildings (item 5a(2)). Conversely, if you discovered the building should have been reported at \$250,000 instead of \$275,000, you would report a negative \$25,000 in the "Adjustments" column. The "Adjustments" column can accommodate both negative and positive numbers of any value regardless of the category.¹ Negative numbers should be shown in parenthesis. Whenever the Adjustments column is used, a description of the adjustment/error should be given in "Comments" (item 21).

23. Q - *Can I make an adjustment of less than \$100,000 to a \$100,000 and over category?*

A - Yes. Notice in the example above (question 9) that a \$25,000 adjustment can be made to Buildings, which is a \$100,000 and over category. The goal is to have accurate values reported on the NF 1018 which support the data in the contractor's property system.

24. Q – *What if a piece of equipment was originally reported in error as \$95,000, but later it was determined that the value was \$105,000?*

A –You would make a negative \$95,000 adjustment to Equipment in the under \$100,000 category and a positive \$105,000 adjustment to Equipment in the \$100,000 and over category. You would also need to explain the adjustment in "Comments."

¹ (Except that if the beginning balance is zero on a "\$100,000 and over" line, the adjustment must be at least \$100,000.)

25. Q - How do I handle reclassifications of property?

A - If it is the result of discovering that you reported the property in an erroneous classification account last year resulting in an error in the ending balance (which is now the beginning balance for the new report), this is not considered a reclassification; you would just show the plus or minus amount of the error in the "Adjustments" column and describe the error in "Comments" (item 21).

If, however, you changed the property in some way during this reporting period (e.g. built a new \$110,000 AP item incorporating two existing \$50,000 equipment items) resulting in a reclassification and/or change in value, the reclassified items' acquisition cost would be accounted for using the "Deletions" and "Additions" columns on this year's NF 1018. That is, this year you would report the deletion of the two pieces of \$50,000 equipment (a total of \$100,000) on the under \$100,000 line under the old classification, Equipment, and report an addition of a \$110,000 item on the \$100,000 and over line under the new classification, Agency Peculiar.

26. Q - *How do I determine whether an asset is a Heritage Asset, to be described under block 21, "Comments" and reported on the supplemental schedule "Depreciation and Assets Not in Use Data for NF 1018 Reporting"?*

A - Heritage assets are property that possess one or more of the following characteristics: historical or natural significance; cultural, educational or aesthetic value; or significant architectural characteristics. They are generally expected to be preserved indefinitely. No values are shown for heritage assets on NASA's balance sheet; physical units are summarized in the Required Supplementary Stewardship Information (RSSI). Examples of NASA heritage assets include buildings and structures designated as National Historic Landmarks and air and spacecraft and related components on display to enhance public understanding of NASA programs. Since the distinguishing characteristic of heritage assets is their unique significance, not their monetary value, the NASA capitalization criterion of \$100,000 or more is not applicable, i.e., items valued under \$100,000 may be identified as heritage assets.

Assets meeting the above definition, but serving both heritage and government operations functions are considered **multi-use** if the predominant use is general government operations. **Multi-use** heritage assets remain on NASA's balance sheet and therefore should not be included as Heritage Assets in "Depreciation and Assets Not in Use Data for NF1018 Reporting."

Contractors shall review NASA property in their custody to identify potential heritage assets. If heritage assets are noted, their values are reported in the balances shown on the NF1018. In addition, they are individually described in "Comments," regardless of dollar value. The description shall include the title and value of the item and brief comments on why it is a heritage asset. Multi-use heritage assets shall not be reported as heritage assets. Heritage assets \$100,000 and over should also be identified in the supplemental schedule "Depreciation & Assets Not In Use Data for NF 1018 Reporting." Where heritage assets have been identified, the cognizant NASA Center Financial Management Office will discuss the items with the contractor. If the Center concludes they are not heritage assets, it will instruct the contractor whether a revised NF 1018 report is required.

27. Q - *What date should I use as the acquisition date for determining whether property is older or younger than its useful life on the supplemental schedule "Depreciation & Assets Not in Use Data for NF 1018 Reporting"?*

A - The date the equipment was originally acquired by or for the government shall be the date for determining whether property is older or younger than its assigned useful life. Professional judgement, based on model, use, source and other relevant information, should be used to determine the original acquisition date where necessary due to a lack of data or ambiguity about the available dates.

17. Q - *In item 21, Deletions, on the NF 1018, what is the difference between c, "Transferred to NASA Center Accountability" and d, "Transferred to Another NASA Center"?*

A – If accountability for an item was returned to the same NASA Center with responsibility for your contract (this would be the cognizant NASA Center as reported in block 1a on the NF 1018) or transferred to a contract with the same NASA Center, it would be reported as c, "Transferred to NASA Center Accountability." If, however, accountability for an item was returned to a NASA Center (or one of its contracts) other than your contract cognizant Center, then it would be reported as d, "Transferred to Another NASA Center." For more information on transfers, see NASA FAR Supplement 1845.7101-2. For more information on deletions, see NASA FAR Supplement 1845.7101-4.

28. Q - *What information should I use to establish a property record if an item was transferred to me with incomplete documentation?*

A – You should contact the property administrator and contracting officer if property was transferred to you with incomplete documentation. The contracting officer is responsible for assisting the property administrator and receiving contractor in obtain all required information to establish adequate property records (see NASA FAR Supplement 1845.7101-2(c)).

29. Q - *How are modifications reported?*

A – For financial reporting purposes, only modifications that improve an equipment or material item's capacity or extend its useful life two years or more and that cost \$100,000 or more shall be reported on the NF 1018 on the "\$100,000 & Over" line. The costs of any other modifications, excluding routine maintenance or repairs (which are not reported at all), will be reported on the "Under \$100,000" line. If an item's original unit acquisition cost is less than \$100,000, but a single subsequent modification costs \$100,000 or more, that modification only will be reported as an item \$100,000 or more on subsequent NF 1018s. The original acquisition cost of the item will continue to be included in the under \$100,000 total. If an item's acquisition cost is reduced by removal of components so that its remaining acquisition cost is under \$100,000, it shall be reported as under \$100,000. If the item original item is an item of stand-alone software the threshold is \$1,000,000 as stated in the answers to questions 7 and 8. NOTE THAT PROPERTY RECORDS, HOWEVER, ARE STILL TO BE MAINTAINED IN ACCORDANCE WITH FAR 45 FOR ALL ITEMS AND DOLLAR VALUES

30. Q - *When should fee be included in the value of an item?*

A – In accordance with NASA FAR Supplement 1845.7101-3(a), the unit acquisition cost shall include all costs incurred to bring the property to a form and location suitable for its intended use. Therefore, when fee is earned by the contractor for the production or purchase of property, those fees should be included in the acquisition cost of that property. In accordance with FAR 45.302, fee is not earned on facilities (plant equipment and real property), unless the sole purpose of the contract is the production or purchase of such property. Therefore, in general, fees should only be applied to property the contractor has built for NASA or is in the process of building for NASA such as Special Tooling, Special Test Equipment, Agency Peculiar, and Contractor Work In Process, not commercially available equipment. Contractors should assume that the stated acquisition cost of all Government-furnished property already has fees included.

31. Q - *Should fee be applied to the acquisition record or added to the overall NASA Form 1018 value as a lump sum by year?*

A - NASA does not dictate how you should calculate and apply fees for NF 1018 reporting purposes. Contractors are in the best position to decide what methodology is most accurate, effective and efficient for their particular contracts. As to whether fee should be applied to each individual property record or added to the overall NF 1018 values as a lump sum every year; either method is acceptable. You should use a logical method, supported by appropriate contractual records, and document and retain a description of the rationale and method used to provide a clear audit trail. While you may use whatever method you deem best, a discussion of two **optional**, alternative methods follows:

- i. Apply fee to the acquisition cost of every piece of applicable property (primarily ST, STE, CWIP, AP) acquired. Any changes to previously reported values should be reported in the "Adjustments" column of the NF 1018 and described in Block 21, "Comments."
- ii. Apply fee to the NF 1018 on a summary basis.
 - a. Adjusting fees for previously reported items: Using the ending balances from the last NF1018, separately break out contractor- acquired and Government-furnished property for the following applicable categories (such as ST, STE, CWIP, & AP). Use the property records to make this determination. Calculate the average fee earned from contract inception. One way to do this would be to express the fee as an average percentage. Take this average fee earned and apply it to the totals in the ending balance for contractor-acquired in the applicable categories. Make sure to separately apply the fee to the Under \$100,000 and \$100,000 & Over categories. Use this information to properly update the values on the next NF1018 using the "Adjustments" column and describe the adjustment in the "Comments" section. You will also need these data to properly reconcile the NF 1018 to the property records.

- b. Keep track of all fee added by category & value (Under \$100,000 and \$100,000 & Over). Once fee has been added for the prior years, each year recalculate the average fee earned and only apply new fee to the contractor-acquired additions and the contractor-acquired deletions. You will need to review the property records to determine whether a deletion was originally reported as contractor-acquired or Government-furnished.

If you choose this method, you should ensure that fee is included in the acquisition cost shown on the shipping document (by using the average fee or another method) for any property transferred to NASA or another contractor in accordance with NASA Federal Acquisition Regulation (FAR) Supplement 1845.7101-2(a).

32. Q - *Should fee be applied to all values or just to items over \$100,000?*

A - In the interest of consistency and to ensure that data NASA provides to OMB, Congress, etc., for **all** property reflect full acquisition cost, contractors should apply fee (since contract inception) to all applicable property, regardless of value.

33. Q - *If the addition of fee to the acquisition record increases the item record value over \$100,000, does the item then become capitalized or should the fee be handled in the same manner as a modification cost adjustment?*

A - If you choose to add fee to each individual property record and, in so doing, the value of that property exceeds \$100,000, you should report it in the "\$100,000 & Over" category. However, you would not need to do this if you choose to add fee as a lump sum, since you would not know the effect on each individual piece of property.